

STATEMENT BY BOB METZ
ON BEHALF OF THE AMERICAN SOYBEAN ASSOCIATION
HOUSE SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK MANAGEMENT
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Thank you, Chairman Moran and members of the Subcommittee, for holding this hearing today. I appreciate the opportunity to testify on behalf of the American Soybean Association.

My name is Bob Metz. My wife Karen and I are fifth generation farmers in northeast South Dakota. We have been involved in production agriculture for the past 28 years. Our family farm has 2700 tillable acres consisting of hard red spring wheat, corn, and soybeans. We have purchased crop insurance for approximately the last 20 years. Each year we sit down with our agent and decide the appropriate level of coverage and the type of coverage. We normally purchase RA, CRC, and MPC I at the 70% to 75% guarantee level. Crop insurance has given our family and our lender the peace of mind that we can survive a crop failure and still meet our financial obligations.

Overall, soybean producers in most regions are generally satisfied with the crop insurance program, a recent study completed by the United Soybean Board (the check-off organization) found. However, many soybean farmers don't feel very knowledgeable about crop insurance. USB's recent study showed these findings:

1. There continue to be disparities in crop insurance participation among soybean farmers based on region, farm size and the age of the producer. Generally, producers in the Midwest and Plains states are more likely to buy crop insurance, and those in the South are less likely. Younger farmers are more likely to participate in the program, as are those with larger farms.
2. Soybean farmers are not well informed. Those that feel best informed about the program are those who buy it, and those with larger farms and more than 250 acres in soybean production.
3. The reasons soybean farmers buy crop insurance are primarily to protect against crop failure, because their lender requires it, or to qualify for future disaster payments.
4. Those soybean farmers who didn't buy it said they don't need it or can self-insure; it costs too much; or they don't know enough about it.
5. Finally, when asked what their source of information is about crop insurance, the soybean farmers in the study reported:
 - 47% from insurance agent or company
 - 18% from periodicals
 - 14% from the federal government
 - 2% from the Internet.

The Committee should be aware that opinions about the success of the crop insurance program remain sharply divided in our organization. Some producers, particularly in the South, still feel as though crop insurance rates are inequitable and too high. And although many farmers feel that their agents provide them with adequate information, the study I cited earlier shows that many still do not feel they know enough about this program. Clearly, more work remains to be done, especially to resolve the regional differences that color the way many farmers feel about buying crop insurance.

CURRENT ISSUES

A handful of issues come up again and again in talking with growers about crop insurance. Multiple years of disaster top this list. It seems that consecutive years of losses - three or more - due to extraordinary weather are plaguing more and more of the country and creating the single biggest problem with crop insurance. The low or zero yields resulting from multiple years of loss cause a farmer's APH to drop so far that he is unable to buy adequate insurance when he needs it most.

I know this is a problem of which the Committee is well aware and which you tried to address in the last crop insurance reform legislation. Unfortunately, the fix where a farmer is allowed to substitute 60% of the T yield for those loss years doesn't go far enough to solve the problem.

There is no good answer to the question of multiple years of loss. While as farmers we look for flexibility in the program to remedy every problem, we are also concerned about exposing the program to abuse. Fraud costs us all money.

One solution farmers often talk about is a 10-year APH system that allows a grower to eliminate his best and worst years. On my farm, for example, the 10-year APH system means that finally this year I will get rid of my low APH from the flooding of 1993. We've found that many times the best year out of 10 isn't much better than the average, but the worst is really low and a terrible drag on the average.

Prevented planting is another perennial problem, especially in my home region of the northern plains. I am aware that RMA is working on changes to prevented planting provisions and we appreciate those efforts.

One problem I can point to specifically is the requirement that 20% of a field or 20 acres (whichever is lower) be prevented from planting to qualify. That requirement is high enough to cause significant financial loss for a farmer who can't plant perhaps 15% of the field, and causes farmers to do things we wouldn't otherwise do just to make a field eligible for insurance coverage.

While requiring a minimum loss is a good idea, a lower threshold would make better sense, perhaps five acres or 5%. The current policy forces farmers to plant in a wet area. A smaller requirement means that

farmers who are prevented from planting a significant part of their field will be eligible.

Finally, let me thank the Committee and Congress for the ad hoc disaster payments of recent years. I think we have all learned that while crop insurance has to be the government's primary risk management tool, there are instances where crop insurance alone isn't enough.

Tying disaster payments to a grower buying crop insurance in the future is a good idea. However, the stipulation in last year's legislation that the combined value of the disaster payment, crop insurance indemnity, and market value of the crop not exceed 95% of the crop's value turned out to be a real disincentive for those who bought the highest crop insurance coverage - and spent the money to do so. Any such efforts to limit payments in the future must be structured so that those who try to cover their own risk be the winners, not the losers.

In preparing for this hearing, I talked with a number of farmers and bankers in my area and the surrounding states. The consensus was that there are a lot of farmers still farming that wouldn't be without the crop insurance program. "While you're not going to get rich from crop insurance, it will keep you on the farm," was a common refrain.

In my family, my son is just finishing his second year of farming. Without crop insurance, he wouldn't be able to get the loans to stay in business. That's how important this program has become.

On behalf of the American Soybean Association, I thank the Committee for the improvements in the program in recent years and the continued attention you are giving it. Crop insurance works far better than it used to and our members look forward to working with the Committee and RMA on more improvements in the future.